

the operation of the Bank Act. The operation of the law, therefore, meant an absolute loss, not merely in the nominal sense of money denominations, but in the real sense of surrendering more English commodities for a given quantity of foreign commodities than would otherwise have been required. \*

The chief contention which was left to the friends of the Act of 1844, after the rude disillusionment of the panic of 1847, was that the act had maintained beyond doubt " the convertibility of the note."<sup>1</sup> They argued that under former conditions and in previous panics, the bank had been drained of gold as well as of its banking reserve, the two not being then separated, and that the ultimate redemption of the notes in gold had been threatened. From a practical point of view, there was perhaps some force in this claim in behalf of the act.<sup>a</sup> The claim is subject to the two conditions, however, that a better knowledge of the rules of banking had come into operation since the earlier panics and that theoretically the " convertibility of the note" was not perfectly assured. It is doubtful, indeed, if convertibility could have been maintained if there had never been, either in 1847, 1857 or 1866, any suspension of the Bank Act. Loss of convertibility would not have come primarily from distrust of the notes or of the credit of the bank, but from the pressure for money by depositors upon the private banks and joint stock banks which kept their reserve with the Bank of England. They would have come upon the bank with a rush for the payment of their deposits and the point might very soon have been reached where the bank had only public securities as

**'Gilbart,!, 337-38.**

<sup>2</sup> Mr. Mill insists that the convertibility of the note " would have continued to be maintained, at whatever cost, under the old system," and remarks that the suspension of the banking department, "involving, as it would, the probable stoppage of every private banking-establishment in London, and perhaps also the non-payment of the dividends to the national creditor, would be a far greater immediate calamity than a brief interruption of the convertibility of the note!" —Political Economy', B. III., Ch. xxiv., Sec. 3, note.